

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation Into the Gas Market Activities of Southern California Gas Company, San Diego Gas and Electric, Southwest Gas, Pacific Gas and Electric, and Southern California Edison and Their Impact on the Gas Price Spikes Experienced at the California Border from March 2000 through May 2001.

Investigation 02-11-040
(Filed November 21, 2002)

Order Instituting Investigation Whether San Diego Gas & Electric Company, Southern California Gas Company and Their Holding Company, Sempra Energy, Respondents, Have Complied With Relevant Statutes and Commission Decisions, Pertaining to Respondents' Holding Company Systems and Affiliate Activities.

Investigation 03-02-033
(Filed February 27, 2003)

**ADMINISTRATIVE LAW JUDGE'S RULING
SETTING PREHEARING CONFERENCE AND
ADDRESSING MOTIONS TO STRIKE**

Prehearing Conference

A prehearing conference (PHC) will be held jointly in Investigation (I.) 02-11-040 and I.03-02-033 on March 3, 2006 commencing at 10:00 a.m., as discussed at the PHC held on February 6, 2006 in I.02-11-040.

Issues to be discussed at the joint PHC include, but may not be limited to, the following:

- The scope and procedural schedule of I.03-02-033, based on results of the audits of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) performed as directed in Decision (D.) 03-09-070.¹
- The manner in which the Commission should consider recent audits of affiliate compliance undertaken for SoCalGas and SDG&E as ordered by the Commission in D.97-12-088.² I require that SoCalGas and SDG&E file the 2004 affiliate transaction audits in I.03-02-033 no later than February 27, 2006.
- The manner in which the Commission should consider the issues that overlap in I.02-11-040 and I.03-02-033 and whether the two proceedings should be coordinated in some manner.
- If the issues of overlap are dealt with on a coordinated basis between the two proceedings, whether consideration of the remaining issues in Phase I.B of I.02-11-040 should go forward at this time.
- Resolution of any discovery issues pending in I.02-11-040, based on written submissions due from the parties on February 24, 2006, as directed at the February 6, 2006 PHC.
- Whether the Phase I.B schedule established at the February 6, 2006 PHC should be modified.
- Whether the Commission should consider Phase I.A and Phase I.B issues in a single decision in I.02-11-040 following Phase I.B hearings.

¹ I expect that Energy Division will file the audit reports shortly, consistent with D.03-09-070. At the PHC held on December 22, 2005, we discussed a possible schedule in which SoCalGas and SDG&E would file comments on the audit reports within 30 days after they are filed, responses by other parties would be due 3 weeks later, and SoCalGas and SDG&E would reply 2 weeks after that. Parties should proceed on that basis, subject to discussion and verification at the March 3, 2006 PHC.

² D.98-08-035, which modified D.97-12-088, made minor changes to the audit requirement.

- Whether the ex parte communications ban established in I.02-11-040 by the Assigned Commissioner and Administrative Law Judge's Ruling dated December 29, 2005 should be modified.

Parties may, but are not required to, file PHC statements in I.02-11-040 and I.03-02-033 no later than March 1, 2006. In order to facilitate discussion at the PHC, parties should serve their PHC statements electronically, pursuant to Rule 2.3.1.

Motions to Strike

On December 6, 2005, Sempra Energy filed a motion to strike the testimony of Southern California Edison Company (SCE) submitted on November 3, 2005 in Phase 1.B of I.02-11-040, and SoCalGas and SDG&E filed a motion to strike portions of SCE's Phase 1.B testimony. I ruled on those motions at the February 6, 2006 PHC, granting the motions in part and denying them in part, and indicated that I would provide further detail in a subsequent ruling. Consistent with my rulings at the February 6, 2006 PHC, the following portions of SCE's Phase I.B testimony submitted on November 3, 2005 will not be considered in Phase I.B at this time:

- Page 1-1, paragraph 1 in its entirety.
- Page 1-2, paragraph 6: the last four words in the first sentence (" , especially in Baja Mexico"), and the last two sentences of the paragraph (commencing with, "For example...").
- Page 1-5, paragraph 11, third sentence: "reviews the evidence provided in Phase 1A of this proceeding," and "and reviews how Sempra's activities in Mexico contributed to the tight supply/demand conditions on its pipelines and led to curtailments on the SDG&E system during 2000-2001".
- Page 2-9, paragraph 26: last two sentences.

- Page 3-1, paragraph 31: the end of the second sentence commencing with “, particularly Sempra’s expansion” and the third sentence.
- Page 3-1, paragraph 32, the following portion of the first two lines: “reviews SoCalGas’ exercise of market power that was described in detail by SCE during Phase 1A of this proceeding. It also”.
- Page 3-1, paragraph 33, through page 3-2, paragraph 38.
- Page 3-9, headings in the middle of the page and paragraph 58, through page 3-23, paragraph 82; related footnotes; and Attachments 3-17 through 3-37.
- Page 5-1, paragraph 115, last sentence.

As discussed at the February 6, 2006 PHC, while consideration of issues related to Rosarito is deferred in I.02-11-040 at this time, the Commission may decide to address these issues at a later time in this proceeding or in another proceeding.

IT IS RULED that:

1. The Commission will hold a prehearing conference (PHC) jointly in Investigation (I.) 02-11-040 and I.03-02-033 at 10:00 a.m. on March 3, 2006, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California.
2. Southern California Gas Company shall file its 2004 Affiliate Transactions Audit performed by NorthStar Consulting Group, dated May 1, 2005, in I.03-02-033 no later than February 27, 2006, with service on all parties in I.03-02-033.
3. San Diego Gas & Electric Company shall file its 2004 Affiliate Transactions Audit performed by NorthStar Consulting Group, dated May 1, 2005, in I.03-02-033 no later than February 27, 2006, with service on all parties in I.03-02-033.

4. Parties may file PHC statements in I.02-11-040 and I.03-02-033 no later than March 1, 2006. Parties shall serve these statements electronically to parties in I.02-11-040 and I.03-02-033, pursuant to Rule 2.3.1, and shall send electronic copies to the Assigned Commissioner and assigned Administrative Law Judge. Parties shall bring 5 extra copies of their PHC statements to the PHC.

5. Consistent with rulings at the February 6, 2006 PHC , the portions of Southern California Edison Company's November 3, 2005 Phase I.B testimony specified in the body of today's ruling will not be considered in Phase I.B of I.02-11-040 at this time.

Dated February 21, 2006, at San Francisco, California.

/s/ CHARLOTTE F. TERKEURST by LTC

Charlotte F. TerKeurst
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Setting Prehearing Conference and Addressing Motions to Strike on all parties of record in Investigation (I.) 02-11-040 and I.03-02-033 or their attorneys of record.

Dated February 21, 2006, at San Francisco, California.

/s/ ERLINDA PULMANO

Erlinda Pulmano

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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